

Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 INR-05 CIAE-00 L-01 NEA-07
SP-02 /034 W

-----028361 231313Z /43

P R 231100Z JUN 78
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC PRIORITY 8398
INFO AMEMBASSY AMMAN
AMEMBASSY ABU DHABI
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY ROME

C O N F I D E N T I A L SECTION 1 OF 2 BEIRUT 3476

LIMDIS

ROME FOR RCAA DWOR

E.O. 11652: XGDS-1
TAGS: EAIR JO US SY LE
SUBJ: CIVAIR: ARAB AIR CARRIERS' CONSORTIUM PLAN

REF: STATE 156146

1. SUMMARY: TWO LEBANESE CIVAIR OBSERVERS CONFIRM DETAILS
PARA 3 REFTL, DESCRIBE CONSORTIUM STATUS, AND SPECULATE
ON ADVANTAGES TO USG OF AN ARAB AIR CONSORTIUM. END SUMMARY.

2. ECONOFF CALLED ON ASAD NASR OF MEA AND ABU HAIDAR OF
TMA (PROTECT BOTH) JUNE 21/22. THEIR REMARKS RE SUBJECT
OF REFTL ARE REPORTED HERE IN SOME DETAIL.

3. ASAD NASR'S OPINION: NOTING HISTORY OF CONSORTIUM
IDEA DATES FROM 1973, ASAD NASR SAID MEA HAD
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REVIVED CONCEPT THIS YEAR AMONG ALIA, SYRIAN AIR, KUWAIT
AND SAUDIA, AND HAD WELCOMED GULF AIR AS FIFTH PROSPECTIVE
PARTNER. OF THE FIVE, ONLY SAUDIA WAS UNENTHUSIASTIC,
PREFERRING TO DEVELOP BILATERAL TIES WITH U.S. ON ITS
OWN. MEA'S INTEREST WAS IN A FORM OF ACCESS TO U.S. THAT
WOULD MAKE BEIRUT AN AIR COMMERCE CENTER, FULFILLING
CITY'S NATURAL GEOGRAPHIC ROLE. CONSORTIUM IDEA,

LONG PROPOSED BY USG, ALSO SOLVES PROBLEM USG WOULD OTHERWISE FACE IN NEGOTIATING BILATERAL ARRANGEMENTS WITH SEVERAL SMALL STATES. FROM TRAFFIC RIGHTS VIEWPOINT, NEGOTIATIONS WITH A CONSORTIUM COULD PROVE ADVANTAGEOUS TO U.S. BECAUSE (A) IF SAUDIA WERE INCLUDED IN CONSORTIUM, SUCH NEGOTIATION WOULD RESOLVE IN U.S. FAVOR CERTAIN ISSUES NOW AT IMPASSE IN U.S.-SAUDIA BILATERALS, BUT (B) IF SAUDIA WERE OUTSIDE CONSORTIUM, NEGOTIATIONS WITH OTHER FIVE THAT PRODUCED GREATER ACCESS BY U.S. CARRIERS TO BAHRAIN WOULD PUT PRESSURE ON SAUDIS TO COMPROMISE IN BILATERAL ARENA OR SUFFER HAVING EASTERN TRAFFIC SIPHONED FROM DHAHRAN TO BAHRAIN.

4. CONCERNING BACKGROUND TO PROPOSED WASHINGTON VISIT (REFTEL) ASAD NASR, READING FROM MINUTES OF AMMAN MEETING, SAID THAT ALI GHANDOUR (REPRESENTING THE ONLY NOW-EXISTING SERVICE TO U.S.), RIDA HAKEEM (REPRESENTING PROTO-CONSORTIUM AS ITS CHAIRMAN OF STEERING COMMITTEE FOR ATLANTIC OPERATIONS), MEA'S SALIM SALAAM (REPRESENTING AACO AS ITS SECY GENERAL) AND ADLIN DAJANI (FOR GULF AIR) HAD BEEN DESIGNATED TO VISIT WASHINGTON FOLLOWING IATA MEETING IN MONTREAL. TERMS OF REFERENCE CONFINED THEM TO PURELY EXPLORATORY TALKS WITH CAB FOCUSED ON CAB'S ATTITUDE TOWARD TRAFFIC RIGHTS FOR POTENTIAL CONSORTIUM. ASAD NASR STRESSED THAT "CONSORTIUM" CONSISTS AT PRESENT OF A SIMPLE COMMITMENT AMONG SIX AIRLINES TO HOLD THESE CONFIDENTIAL

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EXPLORATORY TALKS AND UNDERTAKE JOINTLY THREE STUDIES ON OPERATIONS, ECONOMICS, AND TRAFFIC RIGHTS ARRANGEMENTS PERTINENT TO A JOINT TRANS-ATLANTIC SERVICE. HAKEEM'S STEERING COMMITTEE PLANS TO CONVENE JULY 15 TO HEAR DELEGATION'S REPORT ON CAB TALKS AND IF THAT IS POSITIVE WILL TAKE STEP OF ASSESSING EACH AIRLINE APPROXIMATELY \$20,000 TO FUND THE THREE JOINT STUDIES. ONLY AFTER STUDIES ARE COMPLETED WILL EACH MEMBER REVIEW FIGURES AND DECIDE WHETHER OR NOT TO JOIN CONSORTIUM FOR PURPOSE OF NEGOTIATING WITH USG.

5. ASKED HOW HE IMAGINED CONSORTIUM IN OPERATION, ASAD NASR DREW PARALLEL TO SAS IN WHICH NATIONALLY-OWNED EQUIPMENT IS OPERATED BY ONE TRANS-NATIONAL COMPANY. HE IMAGINED ARAB CONSORTIUM MIGHT FORM A NEW COMPANY THAT WOULD LEASE AIRCRAFT AND PURCHASE SUPPORT SERVICES FROM MEMBERS, DISTRIBUTING PROFIT OR LOSS TO THEM AS SHAREHOLDERS. ASAD NASR MENTIONED SYRIA'S TWO UNDER-EMPLOYED B747-SP'S AS PRIME LEASE PROSPECTS, WITH PERHAPS ONE 707 FROM MEA FLEET. A SINGLE COMPANY REPRESENTING FIVE OR SIX FLAGS COULD STANDARDIZE SERVICE AND TECHNICAL DETAILS AT A HIGH LEVEL AND ESTABLISH PROPER

ADHERENCE TO INTERNATIONAL RATE REGULATIONS.

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SP-02 /028 W

-----028314 231313Z /43

P R 231100Z JUN 78
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC PRIORITY 8399
INFO AMEMBASSY AMMAN
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6. ABU HAIDAR'S VIEWS: THE TMA PRESIDENT SAID THAT THE SIX AIRLINES NOW CONSIDERING THE CONSORTIUM IDEA COULD BE VIEWED IN THREE CATEGORIES: THE HAVES, THE HAVE-NOTS, AND THE IN-BETWEENS. THE HAVES ARE ALIA AND SYRIAN AIR WHO PRESENTLY HAVE INFREQUENT TRAFFIC RIGHTS TO THE U.S. THE HAVE-NOTS ARE KUWAIT AND MEA. THE IN-BETWEENS ARE GULF AIR, WHICH IN TECHNICAL AND EQUIPMENT TERMS IS UNPREPARED TO LAUNCH SERVICE TO THE U.S., AND SAUDIA, WHICH IS READY TO DO IT BUT HAS FAILED IN BILATERAL NEGOTIATIONS WITH U.S. ON GATEWAYS AND SINGLE DESIGNATION ISSUES. AT ITS SIMPLEST, THE HAVE-NOTS SEEK TO GAIN ADVANTAGE OF U.S. RIGHTS NOW ENJOYED BY THE HAVES, AND TO EXPAND THOSE RIGHTS TO A ROTATIONAL DAILY SERVICE IF POSSIBLE. SAUDIA HAS THE MOST TO LOSE BY JOINING A CONSORTIUM SCHEME (MORE THAN IT YET REALIZES, IN ABU HAIDAR'S VIEW), AND IS THEREFORE A BYSTANDER. KUWAIT AND MEA WILL BE PUSHING. GULF AIR WILL BE LEARNING, AND SAUDIA WILL BE MONITORING EVENTS IN THE WASHINGTON TALKS.

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7. ABU HAIDAR'S RATHER PESSIMISTIC ANALYSIS IS THAT CONSORTIUM PROMOTERS SEEK NAIVELY TO CAPITALIZE ON NEW LIBERALISM OF RECENT CAB POLICY BUT FAIL TO UNDERSTAND USG NEGOTIATING OR DECISION PROCESSES OR THE FULL IMPLICATIONS OF GAINING ACCESS TO U.S. AS THEY PROPOSE TO DO IT. THEY WILL PROPOSE USG ACCEPTANCE OF A ROTATING DAILY SERVICE TO NEW YORK FROM ARAB CAPITALS OF CONSORTIUM'S CHOOSING. TO ABU HAIDAR, ACCESS TO NEW YORK ON THAT BASIS IMPLIES RECIPROCAL ACCESS BY U.S. CARRIERS TO A COMBINATION OF ARAB GATEWAYS OF U.S. CHOOSING. PRESENT PATTERN MAKES CLEAR THAT U.S. CARRIERS ARE NOT INTERESTED IN AMMAN, DAMASCUS, OR KUWAIT. THEY ARE INTERESTED IN SAUDI ARABIA AND IF GIVEN CHOICE WILL CONCENTRATE SERVICE ON AT LEAST TWO SAUDI GATEWAYS--ACCESS THAT SAUDIS HAVE RECENTLY DENIED THEM--PLUS BAHRAIN AND BEIRUT.

8. WARMING TO HIS THEME, ABU HAIDAR SET FORTH U.S. NEGOTIATING AIMS AS FOLLOWS: (A) TO ESTABLISH AS A QUID FOR CONSORTIUM ACCESS TO U.S. THE RIGHT TO SELECT GATEWAYS AND FREQUENCIES AT WILL AMONG THE ARAB MEMBERS, TAKING MOST LUCRATIVE MARKETS AND NEGLECTING OTHERS. SUCCESS HERE WOULD EFFECTIVELY OVERCOME POSITIONS SAUDIS HAVE SO FAR STUBBORNLY DEFENDED IN BILATERAL ARENA; (B) TO BREAK ARAB POLICY OF CABOTAGE (DENIAL TO FOREIGNERS OF RIGHT TO CARRY TRAFFIC BETWEEN TWO POINTS IN THE ARAB WORLD). U.S. CARRIERS HAVE NEVER OVERCOME THIS RESTRICTIVE POLICY BUT IN RETURN FOR CONSORTIUM ACCESS TO U.S. WOULD LOGICALLY SEEK A BREAKTHROUGH. ONE ATTRACTIVE ROUTING WOULD BE U.S.-BEIRUT-BAHRAIN, BUT OTHERS OBVIOUSLY POSSIBLE.

9. IN SUM, ABU HAIDAR DOUBTED THAT THE LESS-EXPERIENCED
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ARAB CARRIERS FORESEE CONSEQUENCES OF "LIBERAL CAB POLICY" WHEN IT WILL BECOME USG TURN TO REQUEST LIBERALISM OF THEM. HENCE, FOR ARABS THE CONSORTIUM IDEA IS FULL OF UNANALYZED PITFALLS, BUT POTENTIALLY USEFUL TO U.S. INTERESTS. "THAT IS WHY CAB HAS BEEN ENCOURAGING IT," HE CONCLUDED WITH A CHORTLE. AS FOR TMA, ABU HAIDAR TURNED ASIDE AN APPROACH TO JOIN, THINKING IT IN TMA'S BEST INTEREST TO STAY CLEAR.

10. COMMENT: ABU HAIDAR'S ANALYSIS OF SAUDIA'S POSITION SUGGESTS THAT SAUDIA IS OBLIGED FOR DEFENSIVE REASONS TO JOIN WASHINGTON DELEGATION, BUT WILL NOT JOIN CONSORTIUM, WHATEVER IT HAS AGREED WITH OTHERS TO "CONSIDER" IN PARA 1 REFTEL. WHILE HE AND ASAD NASR APPEAR TO AGREE CONSORTIUM

IDEA OFFERS POSSIBILITIES OF ADVANTAGE TO USG NEGOTIATORS,
THE TWO DIFFER 180 DEGREES ON BENEFITS TO THEIR OWN COMPANIES.
OVERALL, THEIR ACCOUNTS CONFIRM DETAILS PARA 3 REFTEL.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ARABS, CONSORTIUMS, JOINT VENTURES, AIR SCHEDULES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 jun 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BEIRUT03476
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D780262-0320
Format: TEL
From: BEIRUT
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780628/aaaaaxms.tel
Line Count: 228
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 64071b83-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 78 STATE 156146
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2233917
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: ARAB AIR CARRIERS' CONSORTIUM PLAN
TAGS: EAIR, JO, US, SY, LE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/64071b83-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014